

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1465 - SB 1476

March 13, 2018

SUMMARY OF BILL: Requires a nonbinding referendum election to be held prior to the use of property or sales and use tax revenue to service debt on a professional sports facility that is constructed on or after the effective date of this Act.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – To the extent a nonbinding referendum is held, not in conjunction with a regularly-scheduled election, on the question of whether property or sales and use tax revenue can be used to service debt of a sports facility, the permissive increase in local expenditures is estimated to exceed \$250,000.

To the extent a nonbinding referendum is not held, state and local sales and use tax revenue may not be apportioned to service debt on a professional sports facility and will remain with the taxing entity. In addition, local property tax revenue may not be used as pledged revenue against sports facility bond debt or for the repayment of any sports facility bond debt.

Assumptions:

- Any action taken by a metropolitan government, incorporated city, or county to direct a county election commission to hold a nonbinding referendum to vote on the use of property or sales and use tax revenue to service debt on a professional sports facility is permissive.
- This legislation will result in a permissive increase in local expenditures for any county or municipality that holds a nonbinding referendum not in conjunction with a regularly-scheduled election to vote on the question to authorize property or sales and use tax to service a professional team's stadium or arena debt. It is estimated that such referendum costs will exceed \$250,000 per occurrence.
- Under current law, pursuant to Tenn. Code Ann. § 67-6-103(d)(1)(A)(i)-(iii), apportioned sales and use tax revenue is authorized to be used to retire professional sports facility debt.
- If a nonbinding referendum is not held, state and local governments would retain sales and uses taxes for their own use.

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- In addition, property tax revenue may not be used as pledged revenue against sports facility bond debt or for the repayment of any sports facility bond debt. This exclusion could increase the risk of debt and could lead to permissive increases in local expenditures for borrowing interest costs and reduction in accessibility to debt markets.
- The amount of any permissive increase is dependent upon the extent and timing of any bond issued and cannot be reasonably determined.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/amj